

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA**

In re: HIGHLAND STREET GROUP, LLC

Case No. BK-S-09-27639-MKN

**CHAPTER 11
MONTHLY OPERATING REPORT
(REAL ESTATE CASE)**

SUMMARY OF FINANCIAL STATUS

MONTH ENDED: Jul-10**PETITION DATE:** 9/22/2009 0:00

1. Debtor in possession (or trustee) hereby submits this Monthly Operating Report on the Accrual Basis of accounting (or if checked here the Office of the U.S. Trustee or the Court has approved the Cash Basis of Accounting for the Debtor).
 Dollars reported in \$1

2. Asset and Liability Structure

- a. Current Assets
- b. Total Assets
- c. Current Liabilities
- d. Total Liabilities

	<u>End of Current Month</u>	<u>End of Prior Month</u>	<u>As of Petition Filing</u>
a.	\$605,655	\$605,655	
b.	\$7,336,086	\$7,336,086	\$8,159,471
c.	\$1,000,382	\$1,000,382	
d.	\$9,009,049	\$9,009,049	\$5,822,942

3. Statement of Cash Receipts & Disbursements for Month

- a. Total Receipts
- b. Total Disbursements
- c. Excess (Deficiency) of Receipts Over Disbursements (a - b)
- d. Cash Balance Beginning of Month
- e. Cash Balance End of Month (c + d)

	<u>Current Month</u>	<u>End of Prior Month</u>	<u>Cumulative (Case to Date)</u>
a.	\$1,027	\$1,027	(\$123,768)
b.	\$1,027	\$1,027	\$122,634
c.	\$0	\$0	(\$1,133)
d.	\$0	\$0	\$1,133
e.	\$0	\$0	(\$0)

4. Profit/(Loss) from the Statement of Operations**5. Account Receivables (Pre and Post Petition)****6. Post-Petition Liabilities****7. Past Due Post-Petition Account Payables (over 30 days)**

	<u>Current Month</u>	<u>End of Prior Month</u>	<u>Cumulative (Case to Date)</u>
	\$1,027	\$1,027	(\$402,464)
	\$605,655	\$605,655	
	\$1,000,382	\$1,000,382	
	\$12,087	\$12,087	

At the end of this reporting month:

- | | | |
|--|------------|-----------|
| 8. Have any payments been made on pre-petition debt, other than payments in the normal course to secured creditors or lessors? (if yes, attach listing including date of payment, amount of payment and name of payee) | <u>Yes</u> | <u>No</u> |
| | _____ | X |
| 9. Have any payments been made to professionals? (if yes, attach listing including date of payment, amount of payment and name of payee) | _____ | X |
| 10. If the answer is yes to 8 or 9, were all such payments approved by the court? | _____ | |
| 11. Have any payments been made to officers, insiders, shareholders, relatives? (if yes, attach listing including date of payment, amount and reason for payment, and name of payee) | _____ | X |
| 12. Is the estate insured for replacement cost of assets and for general liability? | X | |
| 13. Are a plan and disclosure statement on file? | X | |
| 14. Was there any post-petition borrowing during this reporting period? | X | |
| 15. Check if paid: Post-petition taxes _____ ; U.S. Trustee Quarterly Fees _____ ; Check if filing is current for: Post-petition tax reporting and tax returns: <u>X</u> .
<small>(Attach explanation, if post-petition taxes or U.S. Trustee Quarterly Fees are not paid current or if post-petition tax reporting and tax return filings are not current.) **Need court OK to pay from Sutter under consolidated plan.</small> | | |

I declare under penalty of perjury I have reviewed the above summary and attached financial statements, and after making reasonable inquiry believe these documents are correct.

Date: 8/18/10

/s/ David Frank
Responsible Individual

Attach an Explanation of Variance to Statement of Operations (For variances greater than +/- 10% only):

BALANCE SHEET
(Real Estate Case)
For the Month Ended 7/31/2010 0:00

Assets

	<u>From Schedules</u>	<u>Market Value</u>
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Current Assets

1	Cash and cash equivalents - unrestricted	
2	Cash and cash equivalents - restricted	
3	Accounts receivable (net)	A \$605,655
4	Prepaid expenses	
5	Professional retainers	
6	Other: _____	
7		
8	Total Current Assets	<u>\$605,655</u>

Property and Equipment (Market Value)

9	Real property	C \$4,350,000
10	Machinery and equipment	D \$58,630
11	Furniture and fixtures	D \$0
12	Office equipment	D \$0
13	Leasehold improvements	D \$0
14	Vehicles	D \$0
15	Other: _____	
16		
17		
18		
19		
20	Total Property and Equipment	<u>\$4,408,630</u>

Other Assets

21	Loans to shareholders	
22	Loans to affiliates	
23	Investment in Sutter (moved to liability)	
24	Contributing Members Pref	\$2,321,801
25		
26		
27	Total Other Assets	<u>\$2,321,801</u>
28	Total Assets	<u>\$7,336,086</u>

NOTE:

Indicate the method used to estimate the market value of assets (e.g., appraisals; familiarity with comparable market prices, etc.) and the date the value was determined.

X

Liabilities and Equity
(Real Estate Case)

Liabilities From Schedules**Post-Petition****Current Liabilities**

29	Salaries and wages	
30	Payroll taxes	
31	Real and personal property taxes	
32	Income taxes	
33	Sales taxes	
34	Notes payable (short term)	
35	Accounts payable (trade)	A
36	Real property lease arrearage	
37	Personal property lease arrearage	
38	Accrued professional fees	
39	Current portion of long-term post-petition debt (due within 12 months)	
40	Other:	
41	Less: Priority Unsecured Claim Line 48	
42	Investment in Sutter/RE adjustment	
43	Total Current Liabilities	\$1,000,382

Long-Term Post-Petition Debt, Net of Current Portion

44	Total Post-Petition Liabilities	\$1,000,382
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Pre-Petition Liabilities (allowed amount)

46	Secured claims	F	\$4,100,734
47	Priority unsecured claims	F	\$3,163
48	General unsecured claims	F	\$3,904,770
49	Total Pre-Petition Liabilities		\$8,008,667
50	Total Liabilities		\$9,009,049

Equity (Deficit)

51	Retained Earnings/(Deficit) at time of filing		(\$1,222,254)
52	Capital Stock		
53	Additional paid-in capital		
54	Cumulative profit/(loss) since filing of case		(\$402,464)
55	Post-petition contributions/(distributions) or (draws) Pref Accrual		\$138,849
56	Capital Contribution		\$2,107,256
57	Market value adjustment		(\$2,294,350)
58	Total Equity (Deficit)		(\$1,672,963)
59	Total Liabilities and Equity (Deficit)		\$7,336,086

SCHEDULES TO THE BALANCE SHEET
(Real Estate Case)

Schedule A
Accounts Receivable and (Net) Payable

Receivables and Payables Agings	Accounts Receivable [Pre and Post Petition]	Accounts Payable [Post Petition]	Past Due Post Petition Debt
0 -30 Days		\$0	
31-60 Days		\$325	
61-90 Days		\$605,655	\$12,087
91+ Days		\$605,655	
Total accounts receivable/payable	\$605,655	\$11,762	
Allowance for doubtful accounts		\$605,655	\$12,087
Accounts receivable (net)	<u><u>\$605,655</u></u>		

Schedule B
Inventory/Cost of Goods Sold
Not Applicable to Real Estate Cases

Schedule C
Real Property

Description	<u>Cost</u>	<u>Market Value</u>
APN 162-09-110-035 land and improvements	\$0	
APN 162-09-110-035 land and building with improvements	\$0	
Original Cost \$2,745,395.99	\$2,745,396	
Improvements \$2,975,965.30	\$2,975,965	
Appraised Market Value of Real Estate	\$0	\$4,350,000
Loan Fees Less Amortization	\$0	
Total	<u><u>\$5,721,361</u></u>	<u><u>\$4,350,000</u></u>

Schedule D
Other Depreciable Assets

Description	<u>Cost</u>	<u>Market Value</u>
Machinery & Equipment -		
FF&E	\$1,366,317	
Refrigeration Equipment	\$11,991	
Depreciation (Bldg & Equipment - all)	(\$396,690)	
Loan Fees Less Amortization (included above)	\$0	\$58,630
Total	<u><u>\$981,618</u></u>	<u><u>\$58,630</u></u>
Furniture & Fixtures -		
Included above		
Total	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Office Equipment -		
Included above		
Total		<u><u>\$0</u></u>
Leasehold Improvements -		
Included above		
Total	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Vehicles -		
None		
Total	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Schedule E
Aging of Post-Petition Taxes
(As of End of the Current Reporting Period)

Taxes Payable	<u>0-30 Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>91+ Days</u>	<u>Total</u>
Federal					
Income Tax Withholding					\$0
FICA - Employee					\$0
FICA - Employer					\$0
Unemployment (FUTA)					\$0
Income					\$0
Other (Attach List)					\$0
Total Federal Taxes	\$0	\$0	\$0	\$0	\$0
State and Local					
Income Tax Withholding					\$0
Unemployment (UT)					\$0
Disability Insurance (DI)					\$0
Empl. Training Tax (ETT)					\$0
Sales					\$0
Excise					\$0
Real property					\$9,489
Personal property					\$0
Income					\$0
Other (Attach List)					\$0
Total State & Local Taxes	\$0	\$0	\$0	\$9,489	\$9,489
Total Taxes	\$0	\$0	\$0	\$9,489	\$9,489

Schedule F
Pre-Petition Liabilities

List Total Claims For Each Classification -

	Claimed Amount	Allowed Amount (b)
Secured claims (a)	\$4,100,734	\$4,100,734
Priority claims other than taxes		
Priority tax claims	\$3,163	\$3,163
General unsecured claims	\$3,904,770	\$3,904,770

(a) List total amount of claims even it under secured.

(b) Estimated amount of claim to be allowed after compromise or litigation. As an example, you are a defendant in a lawsuit alleging damage of \$10,000,000 and a proof of claim is filed in that amount. You believe that you can settle the case for a claim of \$3,000,000. For Schedule F reporting purposes you should list \$10,000,000 as the Claimed Amount and \$3,000,000 as the Allowed Amount.

Schedule G
Rental Income Information

List the Rental Information Requested Below By Properties

	<u>Property 1</u>	<u>Property 2</u>	<u>Property 3</u>	<u>Property 4</u>
Description of Property	_____	_____	_____	_____
Scheduled Gross Rents	_____	_____	_____	_____
Less:				
Vacancy Factor	_____	_____	_____	_____
Free Rent Incentives	_____	_____	_____	_____
Other Adjustments	_____	_____	_____	_____
 Total Deductions	 \$0	 \$0	 \$0	 \$0
Scheduled Net Rents	\$0	\$0	\$0	\$0
Less: Rents Receivable *	_____	_____	_____	_____
Scheduled Net Rents Collected *	\$0	\$0	\$0	\$0

* To be completed by cash basis reporters only.

Schedule H
Recapitulation of Funds Held at End of Month

	<u>Account 1</u>	<u>Account 2</u>	<u>Account 3</u>	<u>Account 4</u>
Bank	_____	_____	_____	_____
Account Type	_____	_____	_____	_____
Account No.	_____	_____	_____	_____
Account Purpose	_____	_____	_____	_____
Balance, End of Month	_____	_____	_____	_____
Total Funds on Hand for all Accounts	 \$0	 \$0	 \$0	 \$0

Attach copies of the month end bank statement(s), reconciliation(s), and the check register(s) to the Monthly Operating Report.

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Increase/(Decrease) in Cash and Cash Equivalents

For the Month Ended

7/31/2010 0:00

		Actual <u>Current Month</u>	Cumulative <u>(Case to Date)</u>
Cash Receipts			
1 Rent/Leases Collected			
2 Cash Received from Sales			
3 Interest Received			
4 Borrowings			
5 Funds from Shareholders, Partners, or Other Insiders			
6 Capital Contributions			
7 Net Income			(\$403,491)
8 Adjustments to reconcile net income to net cash provided by operating activities			
9			
10 A/P		\$1,027	\$12,087
11 Prepaid & other liability			\$267,637
12 Total Cash Receipts		<u>\$1,027</u>	(\$123,768)
Cash Disbursements			
13 Selling			
14 Administrative			
15 Capital Expenditures			
16 Principal Payments on Debt			
17 Interest Paid			
18 Rent/Lease:			
19 Personal Property			
20 Real Property			
21 Amount Paid to Owner(s)/Officer(s)			
22 Salaries			
23 Draws			
24 Commissions/Royalties			
25 Expense Reimbursements			
26 Other			
27 Salaries/Commissions (less employee withholding)			
28 Management Fees			
29 Taxes:			
30 Employee Withholding			
31 Employer Payroll Taxes			
32 Real Property Taxes			\$9,489
33 Other Taxes			
34 Other Cash Outflows:			
35 Adjustments for non-cash and accrued			
36 Depreciation			\$118,193
37 A/P reversal		\$1,027	(\$8,462)
38 Total Cash Disbursements:		<u>\$1,027</u>	\$122,634
39 Net Increase (Decrease) in Cash		<u>\$0</u>	(\$1,133)
40 Cash Balance, Beginning of Period		<u>\$0</u>	\$1,133
41 Cash Balance, End of Period		<u>\$0</u>	(\$0)

STATEMENT OF CASH FLOWS

(Optional) Increase/(Decrease) in Cash and Cash Equivalents

For the Month Ended

7/31/2010 0:00

		<u>Actual</u> <u>Current Month</u>	<u>Cumulative</u> <u>(Case to Date)</u>
	Cash Flows From Operating Activities		
1	Cash Received from Sales		
2	Rent/Leases Collected		
3	Interest Received		
4	Cash Paid for Development of Real Estate		
5	Cash Paid for Operation of Real Estate		
6	Cash Paid for Administrative Expenses		
7	Cash Paid for Rents/Leases:		
8	Personal Property		
9	Real Property		
10	Cash Paid for Interest		
11	Cash Paid for Net Payroll and Benefits		
12	Cash Paid to Owner(s)/Officer(s):		
13	Salaries		
14	Draws		
15	Commissions/Royalties		
16	Expense Reimbursements		
17	Other		
18	Cash Paid for Taxes Paid/Deposited to Tax Acct.		
19	Employer Payroll Tax		
20	Employee Withholdings		
21	Real Property Taxes		
22	Other Taxes		
23	Cash Paid for General Expenses		
24	Net Income		(\$402,464)
25	Adjustments to reconcile Net Income to Net cash provided by operations:		
26	Prepaid Legal Retainer adjustment		\$24,225
27	Accounts Payable	\$1,027	\$13,114
28	Other Liabilities		\$243,412
29			
30			
31			
32	Net Cash Provided (Used) by Operating Activities before Reorganization Items	\$1,027	(\$121,713)
	Cash Flows From Reorganization Items		
33	Interest Received on Cash Accumulated Due to Chp 11 Case		
34	Professional Fees Paid for Services in Connection with Chp 11 Case		
35	U.S. Trustee Quarterly Fees		
36			X
37	Net Cash Provided (Used) by Reorganization Items	\$0 X	\$0
38	Net Cash Provided (Used) for Operating Activities and Reorganization Items	\$1,027	(\$121,713)
	Cash Flows From Investing Activities		
39	Capital Expenditures - ACCUM DEPRECIATION		\$118,193
40	Loan Fees		\$3,415
41			
42	Net Cash Provided (Used) by Investing Activities	\$0	\$121,608
	Cash Flows From Financing Activities		
43	Net Borrowings (Except Insiders)		
44	Net Borrowings from Shareholders, Partners, or Other Insiders		
45	Capital Contributions		
46	Principal Payments		
47			
48	Net Cash Provided (Used) by Financing Activities	\$1,027	\$1,027
49	Net Increase (Decrease) in Cash and Cash Equivalents	\$0	(\$1,133)
50	Cash and Cash Equivalents at Beginning of Month	\$0	\$1,133
51	Cash and Cash Equivalents at End of Month	\$0	\$0